Australian Agricultural Projects Ltd

ABN 19 104 555 455

FINANCIAL REPORT

for the year ended 30 June 2014

Australian Agricultural Projects Ltd

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CORPORATE DIRECTORY

Directors

Mr Paul Robert Challis – Managing Director
Mr Phillip John Grimsey – Non-Executive Director
Mr Anthony Ho – Non-Executive Director

Bankers

Commonwealth Bank of Australia
Suite 1a, 530 - 540 Swift Street
Albury, New South Wales, 2640

Company Secretary

Mr Kimberley Arnold Hogg

Solicitor

Steinepreis Paganin
Level 4
16 Milligan Street
Perth, Western Australia, 6000

Principal Place of Business

Suite 2, 342 South Road
Hampton East, Victoria, 3188

Facsimile: (61-3) 9532 1556

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia, 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033

Registered Office

79 Broadway
Nedlands, Western Australia, 6009

Telephone: (61-8) 6389 2688
Facsimile: (61-8) 6389 2588

Stock Exchange

ASX Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia, 6000

ASX Code: AAP

Auditor

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne, Victoria, 3001

Australian Agricultural Projects Ltd

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MANAGING DIRECTOR'S REVIEW

30 September 2014

Dear Shareholders,

The past year has been one of consolidation for the Company following the sale of the Redisland brand and bottling business in the previous year. This has led to a simplification of operations.

It is unfortunate that the lower than expected harvest did not allow for the benefits of this structure to be demonstrated, however, the management of your company remains confident that with improved harvest yields, the Company will return to profit and generate positive cash flows.

The Australian industry as a whole continues to develop along the theme of producing quality oils. It is pleasing to see that the volume of these oils sold at the retail level in Australia is continuing to increase which, in our view, is the simplest way of adding value to whole of the industry.

The operating and financial reviews on pages 3 to 6 detail the performance for the year.

The Company appreciates the ongoing patience and support of its stakeholders during this period.

Yours faithfully,

PAUL CHALLIS
Managing Director

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Australian Agricultural Projects Ltd "the Company" and its subsidiaries, for the financial year ended 30 June 2014 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during the year and to the date of this report are:

Mr Paul Challis
Managing Director – Appointed 12 September 2007

Mr Challis is an accountant with more than 20 years' experience in the finance, health and agricultural industries. Mr Challis has been involved with the olive industry, including a term as a director of the Australian olive industry's peak body – the Australian Olive Association, since the planting of the Company's first orchard in 2002. As part of his role as Managing Director, Mr Challis will continue to oversee grove operations.

Mr Phillip Grimsey
Non-Executive Director – Appointed 12 September 2007

Mr Grimsey is the founding partner of Grimsey Pty Ltd, a CPA practice specialising in the provision of an integrated financial services package to its predominantly professional client base. He has been actively involved in the development, structuring and marketing of the financial services of the group and has been a key contributor to the growth of Australian Agricultural Investments Ltd and its controlled entities (the "AAI Group").

Mr Anthony Ho
Non-Executive Director – Appointed 30 April 2003

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia. He qualified as a Chartered Accountant in 1983. Mr Ho is presently the principal of a public practice specialising in providing corporate and financial services to companies listed on the ASX. He is currently a director of a number of companies listed on ASX.

Mr Ho will be retiring by rotation and seeking re-election by shareholders at the 2014 Annual General Meeting.

COMPANY SECRETARY

Mr Kim Hogg
Company Secretary – Appointed 18 November 2003

Mr Hogg has worked in the private sector for the past 20 years, predominantly in the coordination and documentation of capital raisings and as company secretary for both listed and unlisted companies. Mr Hogg is currently the secretary of a number of companies listed on the ASX.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of directorship From	To
Mr P Challis	Nil	-	-
Mr P Grimsey	Nil	-	-
Mr A Ho	Alchemy Resources Limited	2011	Present
	Audalia Resources Limited	2010	17 August 2011
	Dragon Energy Limited	2008	13 June 2012
	Newfield Resources Limited	2011	Present
	Siburan Resources Limited	2009	Present
	Glory Resources Limited (now delisted)	28 February 2014	Present

DIRECTORS' INTERESTS

The relevant interest of each director in the securities of the Company at the date of this report is as follows:

Director	Ordinary Shares 2014	Ordinary Shares 2013
Mr P Challis	12,473,845	12,473,845
Mr P Grimsey	33,263,585	33,263,585
Mr A Ho	2,000,001	2,000,001

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
Director	Held	Attended	Held	Attended	Held	Attended
Mr P Challis	4	4	N/A	N/A	N/A	N/A
Mr P Grimsey	4	4	-	-	1	1
Mr A Ho	4	3	-	-	1	1

Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors.
Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr P Grimsey (Chairman)	Mr A Ho (Chairman)
Mr A Ho	Mr P Grimsey

PRINCIPAL ACTIVITY

Following the sale of the retail olive oil business in November 2012 the Company's principal activity is now the operation of the olive orchard located at Boort, Victoria and the operation of managed investment schemes.

OPERATING AND FINANCIAL REVIEW

Financial result

The Company advises that the trading result for the year ended 30 June 2014 was a loss of $459,963 (2013: profit of $1,924,789). The key components of this result are:

- Lower revenues from the management of the Company's projects of $2,230,704 (2013: $3,094,317) as a result of the lower than expected harvest.
- Additional costs of $267,726 being expenses incurred in maintaining the Braeside premises from where the Redisland bottling operations were conducted until such time as a sub tenant could be found;
- A revaluation of the orchard upwards of $223,315 (2013: nil); and
- Depreciation and interest of $700,954 (2013: $1,060,110) resulting in a EBITDA of $240,991 (2013: $2,984,899)

OPERATING AND FINANCIAL REVIEW (Continued)

The net loss for the year largely reflects the reliance of the business on the strength of the annual harvest from the orchard. As set out in the operating review below, the lower than expected harvest of 608,700 litres resulted in reduced revenues. Looking forward, the Company expects an increase in the value of the harvest in 2015 based primarily on the orchard entering an "on" year as part of the biennial cycle as well as the continued maturity of the orchard.

While the net assets of the business reduced by $460,007 to $4,491,418 which equates to 2.95 cents per share (2013: 3.25 cents per share), the total liabilities of the business have been reduced by $578,271 (2013: $5,811,827) to $8,641,658 (2013: $9,219,929) as the Company continues to work on improving the balance sheet. The Company plans to continue to improve the quality of the balance sheet by further reducing the liabilities of the Company so as to create a buffer in order to create additional flexibility for the future options for the Company.

The Company's banking facilities were all recorded as current liabilities in the Statement of Financial Position as at 30 June 2014 because, as previously advised, the bank had not responded to the application to set aside the harvest covenant by 30 June 2014. The Company's facilities included a covenant that the 2014 harvest be at least 720,000 litres. Although we had advised the bank of this breach, provided amended cash flows and independent assessments of future harvests prior to reporting date, the Company had not received a formal response from the bank. The Company believes that, based upon discussions and informal indications from the bank, that there will be no change to the existing banking facilities and that the requirement for principal reductions amounting to $225,000 over the next financial year will be maintained.

Further to the reduction in the structured banking facilities, negotiations are continuing regarding the refinance of the shareholder loans. We expect to be in a position where this can be reported to shareholders as part of the 2014 AGM process.

The Company experienced surplus cash flows from operations of $598,103 (2013: deficit of $880,296). This surplus was largely due to the size of the 2013 harvest. As a consequence of the lower than expected 2014 harvest, it is likely that the cash receipts from operations in the 2015 financial year will be reduced. The impact of this reduction is mitigated somewhat by the savings that arise from the sub-letting of the Braeside premises and the proposed restructure of the MIS projects the Company operates.

Operating Review

Orchard

The orchard produced a total harvest of 608,700 litres across the three projects the Company manages as summarised in the following table:

Project	Planted	Size	2014 Harvest	2013 Harvest	2012 Harvest
VOOP I	2002	285 Ha	347,500 litres	549,800 litres	280,950 litres
VOOP II	2003	118 Ha	142,100 litres	148,900 litres	110,550 litres
Peppercorn	2006	108 Ha	119,100 litres	185,500 litres	68,950 litres
Total		**511 Ha**	**608,700 litres**	**884,200 litres**	**460,450 litres**

While the Board was disappointed with the lower than anticipated harvest, it is worth noting that:

- The harvest was expected to be lower than the previous record harvest due largely to the biennial nature of olive trees which have a habit of producing a large crop one year followed by a smaller one the next.
- While total fruit volume was down, the amount of oil in the fruit was also less than expected. Many things impact the oil accumulation in olives and it is difficult to precisely evaluate and predict the outcome. It is most likely that the excessively hot start to the year in January and February which saw many days with temperatures above 40 degrees Celsius, contributed to this result.

Other than the low fruit yield, the actual harvest and processing operations went particularly smoothly. This continues to support the contention that the Company will continue to be a low cost producer while ensuring efficient fruit removal and oil extraction during the annual harvest. As previously noted, this allows the Company a more flexible approach to harvest which goes some way towards mitigating the risk that harvest may be impacted by bad weather or some other event outside of our control.

OPERATING AND FINANCIAL REVIEW (Continued)

The orchard appears in good health following the harvest and the rejuvenating pruning program will continue this year across approximately 5% of the orchard. Elsewhere, the focus of the pruning operations is targeted at maintaining the bulk of the canopy within the harvest zone while at the same time, looking to maximise the efficiency of the harvest. The fertigation and weed control programmes will be similar to those in the previous year.

We have noted before that the water for the irrigation programme is sourced from the Waranga Western channel which forms part of the Goulburn Murray Water irrigation district. The Company acquires its water interests on the market each year and in the 2014 financial year, an additional 400 ML of water was acquired in order to carry over to the 2015 season. The balance of the water requirements will again be acquired on market. This strategy is effective in the current market, especially when there is an expectation that water will be plentiful. This season the dams supplying the system contain more water than they did at the same time last year and we still await the benefits of the spring rains. However, with the continued changes to the regulatory framework surrounding water trading in the district, the Company is cautious as to the pricing of water over the next few years.

We will continue to comment on orchard activity in our quarterly announcements.

Industry

As a young industry, the Australian olive industry continues to develop mindful that total Australian production represents less than 1% of the world production of olive oil. The Company estimates that the national 2014 harvest will be in the region of 12 to 14 million litres, down from approximately 20 million litres in 2013.

As a general comment, the oil produced by Australia continues to be of excellent quality and this represents the advantage that Australia will continue to bring to the market. This advantage will be supported with the new research and development levy that was introduced during 2014 seeing the industry as a whole raise funds for projects that will continue to reinforce this advantage.

The industry body, the Australian Olive Association, also continues to support this advantage with the introduction of an Australian standard for olive oil several years ago, a consumer awareness and education campaign highlighting the benefits of Australian olive oils and is now looking to tailor the research and development programme with these strengths in mind.

In the meantime, a large portion of Australian olive oil is marketed through the leading brands of Cobram Estate and Redisland which are both owned and operated by Boundary Bend Limited as a result of our sale of the Redisland brand to them in November 2012. Their sales of packaged goods grew by 40% in the 2014 financial year and it is into this market that the Company's supply agreement is linked.

Caution must be maintained though as Australia is still a net importer of olive oils and the imported competition continues to very price competitive. Global oil prices were generally depressed during last year falling from a high of nearly EUR 3.00/kg in July to around EUR 2.00/kg in December after a better than expected European harvest. These bulk prices have recently recovered somewhat with a weaker forecast for the European harvest. These low prices, combined with the continued strength of the Australian dollar continue to provide strong competition at the Australian retail level which in turn impacts the price for oil that the Company will receive long term.

Accordingly, it is critical to the Australian industry that it continues to operate in a unified manner and develop programmes that build upon the inherent strengths that it has identified.

Looking forward

We repeat that the future performance of the company is tied to the annual harvest which is expected to improve this year. Separate to this, the Company will continue to focus on the strengthening of its balance sheet with the objective of reducing its liabilities.

The Company remains open to other agricultural investments that would complement its current asset and skill base.

OPERATING AND FINANCIAL REVIEW (Continued)

Appreciation

The board continues to recognise the ongoing effort of the small team who continue to manage the orchard at an incredibly high standard. The Directors take this opportunity to record their appreciation.

Impact of legislation and other external requirements

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the consolidated entity. There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has not been any significant change in the state of affairs of the Company during the year.

RESULTS

The consolidated entity reported a loss of $459,963 (2013: profit of $1,924,789) after income tax for the year.

DIVIDENDS

No dividend has been declared or paid by the Company during the year or to the date of this Report.

MATTERS SUBSEQUENT TO REPORTING DATE

On 22 September 2014, the Company's bankers confirmed that no action would be taken as a result of the breach of the condition that the 2014 harvest should exceed 720,000 litres in total and, as a consequence, there is no additional requirement placed on the Company in relation to its banking facilities. The Company is required to continue to make principal and interest payments as set out in the letter of offer dated 14 April 2014 which requires the commercial bill facility of the company to be reduced by $225,000 over the twelve months from 30 June 2014. The letter of offer extends to April 2017 at which point the bank will again review the facilities.

Other than any matters described in these financial statements, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to operate the olive grove at Boort in line with the discussion above in the Operating and Financial Review.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the consolidated entity.

OPTIONS

Options granted during the year

There were no options granted during the financial year. No options have been granted since the end of the financial year. No options were exercised during the year and no options lapsed during the year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The Company has not, during or since the financial year indemnified or agreed to indemnify an auditor of the Company or any related body corporate against a liability incurred as an auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

The following non-audit services were provided by the consolidated entity's auditor, BDO East Coast Partnership. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and does not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

BDO East Coast Partnership received or are due to receive the following amounts for the provision of non-audit services:

	Consolidated	
	2014	2013
	$	$
Taxation compliance services	-	2,500

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF BDO EAST COAST PARTNERSHIP

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

REMUNERATION REPORT

The remuneration report is set out on pages 10 to 17 and forms part of the Directors' Report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 9 and forms part of the Directors' Report.

Dated at Melbourne, Victoria this 30th day of September 2014.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor of Australian Agricultural Projects Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Agricultural Projects Limited and the entities it controlled during the period.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 30 September 2014

R E M U N E R A T I O N R E P O R T (A U D I T E D)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The following were key management personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

Directors

Name	Position held
Mr P Challis	Managing Director
Mr P Grimsey	Non-Executive Director
Mr A Ho	Non-Executive Director

Executives

Name	Position held
Mr K Hogg	Company Secretary

REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the consolidated entity.

PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments performance;
- the consolidated entity's performance including:
    - the consolidated entity's earnings; and
    - the growth in share price and delivering constant returns on shareholder wealth.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 General Meeting, is not to exceed $100,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, nor do they receive any performance related compensation. Level of non-executive directors' fees as at the reporting date is as follows:

Name	Non-executive directors' fees (per annum)
Mr P Grimsey	-
Mr A Ho	$12,000

Executive remuneration

Remuneration for executives is set out in employment agreements.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed remuneration

Fixed remuneration consists of base compensation as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the consolidated entity. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

Other benefits

Key management personnel may receive benefits such as car allowances, and the Company pays fringe benefits tax on these benefits.

Long-term incentives

Long-term incentives (**LTI**) may be provided to key management personnel via the Australian Agricultural Projects Ltd Employee Option Scheme (**EOS**). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the consolidated entity. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the EOS's terms and conditions.

LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to directors subject to approval by shareholders in general meeting.

The Company has introduced a policy that prohibits employees and directors of the consolidated entity from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and directors to confirm compliance.

REMUNERATION STRUCTURE (cont'd)

Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year and the previous four financial years:

	2014	2013	2012	2011	2010
(Loss)/profit for the year	($459,963)	$1,924,789	($5,636,661)	$102,418	$609,611
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	-	-	-	(1.0 cents)	0.5 cents
Share price at beginning of the period	1.0 cents	1.0 cents	1.0 cents	2.0 cents	1.5 cents
Share price at end of the period	1.0 cents	1.0 cents	1.0 cents	1.0 cents	2.0 cents
(Loss)/Earnings per share	(0.30 cents)	1.20 cents	(3.45 cents)	0.06 cents	0.37 cents

The overall level of key management personnel's compensation takes into account the performance of the consolidated entity since the Company's incorporation on 30 April 2003. As a result, the level of compensation has remained relatively unchanged, other than the increase or decrease in compensation levels due to the appointment or resignation of key management personnel. Furthermore, total remuneration for all non-executive directors has remained unchanged since September 2007.

There were no performance related remuneration transactions during the financial year (2013: Nil).

USE OF REMUNERATION CONSULTANTS

The Nomination and Remuneration Committee did not engage the services of a remuneration consultant during the year.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

The Remuneration Report for the 2013 financial year received positive shareholder support at the 2013 AGM with a vote of more than 99% in favour. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

EMPLOYMENT AGREEMENTS

The consolidated entity has employment agreements with all key executives who are not directors, that are capable of termination between one and three months' notice. The terms of the contracts are open ended although the consolidated entity retains the right to terminate a contract immediately by making payment equal to the termination period in lieu of notice. The key executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

All directors of the Company are employed under a letter of appointment. The letters of appointment set out remuneration details and are rolling with no fixed term.

The employment contract outlines the components of compensation paid to each executive but does not prescribe how compensation levels are to be modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed by the executive and any changes to meet the principles of remuneration.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the consolidated entity are:

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees $	Other benefits $	Long term benefits** $	Superannuation benefits $	Options $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors									
Non-executive									
Mr P Grimsey	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
Mr A Ho*	2014	12,000	-	-	-	-	12,000	-	-
	2013	12,000	-	-	-	-	12,000	-	-
Executive									
Mr P Challis	2014	120,000	-	2,350	11,100	-	133,450	-	-
	2013	120,000	-	2,350	10,800	-	133,150	-	-
Total, all directors	**2014**	**132,000**	**-**	**2,350**	**11,100**	**-**	**145,450**	**-**	**-**
	2013	**132,000**	**-**	**2,350**	**10,800**	**-**	**145,150**	**-**	**-**

REMUNERATION REPORT (cont'd)

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS	TERMINATION PAYMENTS			
		Salary & fees $	**Other benefits $**	**Long term benefits** $**	**Superannuation benefits $**	**Options $**	**Redundancy and termination payments**	**Total $**	**Proportion of remuneration performance related %**	**Value of options as proportion of remuneration %**
Executives										
Consolidated										
Mr M Konowalous	2014	-	-	-	-	-	-	-	-	-
	2013	50,000	-	-	5,583	-	110,570	166,108	-	-
Mr R Turner	2014	-	-	-	-	-	-	-	-	-
	2013	45,833	-	-	5,076	-	86,000	137,509	-	-
Mr K Hogg*	2014	-	-	-	-	-		-	-	-
	2013	-	-	-	-	-		-	-	-
Total, all executives	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	**95,833**	**-**	**-**	**10,614**	**-**	**197,170**	**303,617**	**-**	**-**
Total, all directors and executives	**2014**	**132,000**	**-**	**2,350**	**11,100**	**-**	**-**	**145,450**	**-**	**-**
	2013	**227,833**	**-**	**2,350**	**21,414**	**-**	**197,170**	**448,767**	**-**	**-**

* In addition to the remuneration as disclosed above, a total of $24,022 (2013: $36,054) was paid to Anthony Ho and Associates for secretarial and accounting services provided by Kim Hogg to the Company.

** Long term benefits relate to the change in long service leave entitlements from the previous year.

OPTION HOLDINGS BY KEY MANAGEMENT PERSONNEL

	Held at 1 July 2013	Granted	Exercised	Other changes	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors							
Mr P Challis	-	-	-	-	-	-	-
Mr P Grimsey	-	-	-	-	-	-	-

	Held at 1 July 2012	Granted	Exercised	Other changes	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors							
Mr P Challis	5,644,500	-	-	(5,644,500)	-	-	-
Mr P Grimsey	15,066,500	-	-	(15,066,500)	-	-	-

No options held by key management personnel are vested but not exercisable at 30 June 2014 or 2013.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Held at 1 July 2013	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2014
Directors							
Mr P Challis	12,473,845	N/A	-	-	-	N/A	12,473,845
Mr P Grimsey	33,263,585	N/A	-	-	-	N/A	33,263,585
Mr A Ho	2,000,001	N/A	-	-	-	N/A	2,000,001

	Held at 1 July 2012	Held at date of appointment	Purchases	Received on exercise of options	Other changes	Held at date of resignation	Held at 30 June 2013
Directors							
Mr P Challis	12,473,845	N/A	-	-	-	N/A	12,473,845
Mr P Grimsey	33,263,585	N/A	-	-	-	N/A	33,263,585
Mr A Ho	2,000,001	N/A	-	-	-	N/A	2,000,001

No shares were granted to key management personnel during the reporting year as compensation in 2014 or 2013.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
	Transaction	**Note**	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Directors						
Mr A Ho	Secretarial and accounting fees	(i)	24,022	36,054	(194,460)	(168,935)
Mr P Grimsey and Mr P Challis	Management fees	(ii)	300,252	417,375	-	-
	Shareholder Loans	(iii)	-	-	(1,466,000)	(1,466,000)
	Interest paid on loans	(iv)	113,738	119,689	(232,980)	(171,064)
Executives						
Mr M Konowalous	Purchase of olive oil	(v)	-	-	-	(31,860)

Notes in relation to the table of related party transactions

(i) A company associated with Mr Ho, provides company secretarial services in connection with the operations of the consolidated entity. Terms for such services are based on market rates, and amounts are payable on a monthly basis.

(ii) The consolidated entity manages an olive orchard for a company in which Mr P Challis and Mr P Grimsey are both beneficially entitled to minority shareholdings (approx 1.3% each). The management fees for this project had been paid in accordance with production sharing agreement. The fees charged for this project are of a similar amount and nature as the fees charged for management of other projects managed by the consolidated entity.

(iii) The consolidated entity entered into shareholder loan agreement with entities associated with Mr P Grimsey ($339,000) and Mr P Challis ($127,000) in 2009 for which these entities received lender options (15,066,500 and 5,644,500 respectively) in satisfaction of payment for a loan establishment fees of $16,950 and $6,350 respectively. In addition, an entity associated with Mr P Challis has provided a $1,000,000 unsecured loan facility to the Company, which was fully drawn at 30 June 2014.

(iv) The consolidated entity pays interest in relation to unsecured shareholder loan agreements stated in note (iii). Average interest rate for the year was 7.8%

(v) During the 2011 financial year the consolidated entity purchased oil from a company of which Mr M Konowalous was a shareholder and a member of the key management team at the time. The price paid was determined on an arm lengths basis and was compatible to bulk oil prices the company was paying to third parties at the time.

SHARE-BASED COMPENSATION

Equity based payments

There were no equity based payments during the year ended 20 June 2014 (2013: Nil).

Employee option scheme

The Company operates an incentive scheme known as the Australian Agricultural Projects Ltd Employee Option Scheme ("EOS") approved at the general meeting on 30 May 2003.

The maximum number of options that can be granted under the Scheme is restricted to 5% of the total issued shares as at the date of the grant of options. There is no issue price for any options granted under the EOS.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the terms of the plan, is the highest of:

- 110% of the market price of the Company's shares on the date on which the options are issued;
- 20 cents; or
- any greater price determined by the Directors.

All options expire on the earlier of their expiry date or one month after termination of the employee's employment.

There were no options issued under the employee share scheme during the year ended 30 June 2014.

At 30 June 2014 all options issued under this scheme had either been forfeited or unexercised. There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights would have been attached to the unissued ordinary shares if the options had been exercised.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from continuing operations	3	2,565,531	3,269,740
Cost of sales		(2,004,093)	(1,507,750)
Gross profit		561,438	1,761,990
Other income	4	6,618	34,936
Corporate and administrative expenses		(266,666)	(473,759)
Occupancy costs		(35,287)	(135,616)
Depreciation and amortisation		(283,970)	(423,580)
Borrowing costs		(416,984)	(636,530)
Net fair value gain on investment property	13	223,315	-
Profit / (Loss) on sale of assets		19,299	(114,132)
Restructuring costs			(320,357)
Loss before income tax from continuing operations		**(192,237)**	**(307,048)**
Income tax expense	7	-	(613,620)
Loss after income tax from continuing operations		**(192,237)**	**(920,668)**
(Loss) / Profit after income tax from discontinued operations	25	(267,726)	2,845,457
(Loss) / Profit after income tax		**(459,963)**	**1,924,789**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Movement in foreign exchange reserve		(44)	40
Total Other Comprehensive (Loss) / Income		(44)	40
Total Comprehensive (Loss) / Income		**(460,007)**	**1,924,829**
Earnings per share – Continuing operations			
Basic (loss) per share (cents)	20	(0.13)	(0.57)
Diluted (loss) per share (cents)	20	(0.13)	(0.57)
Earnings per share – Overall			
Basic (loss) / profit per share (cents)	20	(0.30)	1.20
Diluted (loss) / profit per share (cents)	20	(0.30)	1.20

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Australian Agricultural Projects Ltd

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	8	170,097	139,915
Trade and other receivables	9	2,246,104	3,234,215
Inventories	10	258,018	408,227
Other	11	87,867	84,500
Total Current Assets		2,762,086	3,866,857
NON-CURRENT ASSETS			
Property, plant & equipment	12	1,824,890	1,981,712
Investment property	13	8,546,100	8,322,785
Total Non-Current Assets		10,370,990	10,304,497
TOTAL ASSETS		13,133,076	14,171,354
CURRENT LIABILITIES			
Bank overdraft	8	420,575	670,504
Trade and other payables	14	2,904,386	3,041,892
Provisions	15	411,481	391,363
Loans and borrowings	16	3,526,694	1,534,284
Total Current Liabilities		7,263,136	5,638,043
NON-CURRENT LIABILITIES			
Loans and borrowings	16	1,378,522	3,581,031
Provisions	15	-	855
Total Non-Current Liabilities		1,378,522	3,581,886
TOTAL LIABILITIES		8,641,658	9,219,929
NET ASSETS		**4,491,418**	**4,951,425**
EQUITY			
Issued capital	17	22,840,966	22,840,966
Reserves	17	259,784	259,828
Accumulated losses		(18,609,332)	(18,149,369)
TOTAL EQUITY		**4,491,418**	**4,951,425**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Cash receipts in the course of operations		4,064,202	9,719,875
Cash payments in the course of operations		(3,151,147)	(9,976,986)
Interest received		6,618	-
Interest paid		(321,570)	(623,185)
Net cash provided by / (used in) operating activities	24	598,103	(880,296)
Cash flows from investing activities			
Payments for property, plant and equipment		(129,549)	(17,870)
Proceeds from sale of business	25	-	4,000,000
Proceeds from sale of water rights		-	470,172
Proceeds from sale of plant and equipment		21,700	67,500
Net cash (used in) /provided by investing activities		(107,849)	4,519,802
Cash flows from financing activities			
Proceeds from hire purchase facilities		88,215	-
Repayment of secured bank facilities		(50,000)	(3,610,305)
Repayment of hire purchase liabilities		(248,314)	(418,541)
Net cash used in financing activities		(210,099)	(4,028,846)
Net increase / (decrease) in cash and cash equivalents		280,155	(389,340)
Cash and cash equivalents at the beginning of the year		(530,589)	(141,289)
Effect of exchange rate fluctuations		(44)	40
Cash and cash equivalents at the end of the year	8	**(250,478)**	**(530,589)**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Issued capital $	Reserves $	Accumulated losses $	Total $
Balance as at 1 July 2012	**22,949,400**	**295,788**	**(20,110,158)**	**3,135,030**
Profit for the year after income tax	-	-	1,924,789	1,924,789
Other comprehensive income for the year	-	40	-	40
Total comprehensive income for the year	-	40	1,924,789	1,924,829
Surrender of shares	(108,434)	-	-	(108,434)
Transfer of lapsed options	-	(36,000)	36,000	-
Balance as at 30 June 2013	**22,840,966**	**259,828**	**(18,149,369)**	**4,951,425**
Balance as at 1 July 2013	**22,840,966**	**259,828**	**(18,149,369)**	**4,951,425**
Loss for the year after income tax	-	-	(459,963)	(459,963)
Other comprehensive loss for the year	-	(44)	-	(44)
Total comprehensive loss for the year	-	(44)	(459,963)	(460,007)
Balance as at 30 June 2014	**22,840,966**	**259,784**	**(18,609,332)**	**4,491,418**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The consolidated financial report of Australian Agricultural Projects Ltd for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 30th September 2014.

Australian Agricultural Projects Ltd (the **Company**) is a company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The registered office for the Company is 79 Broadway, Nedlands, Western Australia, 6009 and the principal place of business is Suite 2, 342 South Road, Hampton East VIC 3188.

Separate financial statements for Australian Agricultural Projects Ltd as an individual entity are no longer presented as consequence of a change to the Corporation Act 2001, however limited financial information for Australian Agricultural Projects Limited as an individual entity is included in Note 26.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

Basis of preparation

Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (**AASBs**) and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) as appropriate for profit oriented entities. The consolidated financial report of the consolidated entity also complies with the International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board.

Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis with the exception of financial assets and liabilities and the investment property which are recorded at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the consolidated entity.

Going Concern

The consolidated entity incurred a net loss of $459,963 for the year ended 30 June 2014 (2013: profit of $1,924,789) and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $4,501,050 (30 June 2013: deficit $1,771,186). The future cashflows of the consolidated entity are dependent on the annual harvest which has been volatile over recent years and therefore impact the need to obtain funding or renegotiate debt facilities. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on the basis of a going concern, as the directors expect the consolidated entity to be in a position to pay its debts as and when they become due for a period of twelve months from the date of approving this financial report.

The consolidated entity reported surplus cash from operating activities of $598,103 (2013: deficit of $888,296) for the year ended 30 June 2014. This is a reflection of the proceeds from the 2013 harvest as well as the lower business operating costs subsequent to the sale of the Redisland brand in November 2012. Savings will also arise from the successful sub-letting of the Braeside property and the proposed restructure of the Managed Investment Schemes the company operates. The company is currently negotiating with their financier and believes that the debt facilities will continue to be provided on the same basis as described in the original offer where the principal amount must be reduced by $225,000 over the 12 month period to 30 June 2015.

Separate to the continuation of normal operations, the consolidated entity has the ability to raise funds from additional capital raising from existing shareholders or make a placement of shares to institutional or sophisticated investors.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern (continued

On this basis of the above points occurring, the financial report has been prepared on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business and at amounts stated in the financial statements.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Note 7 - Recognition of Deferred Tax Assets
(b) Note 13 - Investment Property

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the consolidated entity.

Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. The reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company’s financial statements, investments in subsidiaries are carried at cost less any impairment charges.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

Functional and presentation currency

Both the functional and presentation currency of the company and its Australian subsidiaries is Australian dollars ($). The United States subsidiaries' functional currency is United States Dollars which is translated to presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group companies functional currency to presentation currency

The results of the United States subsidiaries are translated into Australian Dollars using average exchange rates which approximate the rates applicable to the transactions. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translations reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in United States subsidiaries are taken to the foreign currency translation reserve. If a United States subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of profit or loss and other comprehensive income.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the consolidated entity's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included in current liabilities in the statement of financial position.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible monies. An allowance for doubtful debts is made when there is objective evidence that the consolidated entities will not be able to collect the debts. Bad debts are written off when identified.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Derivative financial instruments

The consolidated entity may hold derivative financial instruments to hedge its foreign currency exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

<u>Cash flow hedges</u>

Changes in the fair value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Financial instruments (cont'd)

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Issued capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The estimated useful lives are as follows:

Plant and equipment	2.5 to 14 years
Motor vehicles	5 to 10 years
Office furniture and equipment	2.5 to 14 years
Leasehold improvements	5 to 14 years
Buildings	10 to 25 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Non-current assets classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current asset and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current asset classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on discounted cash flows of future income streams, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or other business combinations. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of the goodwill is included in the carrying amount of the investment.

Permanent water rights

Permanent water rights are measured at cost, including transaction costs. The carrying value is reviewed annually for any impairment indicators.

Permanent water rights have an indefinite life term and they are not amortised.

Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and the leased assets are not recognised in the consolidated entity's statement of financial position.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less associated costs to sell.

Provisions

A provision is recognised if, as a result of a past event, the consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The time value of money is not material to the currently recognised provisions and they are not discounted to expected future cash flows at a pre-tax rate.

Employee Benefits

Wages and salaries, annual leave, sick leave and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months are measured at their nominal values based on expected rates of pay. The provision for long service leave is measured at the present value of the estimated future cash out flows.

Share-based payments

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The Company operates an incentive scheme to provide these benefits, known as the Australian Agricultural Projects Limited Employee Option Scheme ("EOS") approved at the general meeting on 30 May 2003.

The cost of these share-based payment transactions is measured by reference to the fair value at the date at which the options are granted. The fair value is determined using a Black-Sholes model.

In valuing share-based payment transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Australian Agricultural Projects Limited ('market conditions').

The cost of share-based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Employee Benefits (cont'd)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the prices is fixed and generally title has passed.

Rendering of services

Revenue from the management and ongoing maintenance of the orchard schemes not subject to production sharing is recognised by reference to separate contracts. The rates are set at the beginning of the financial year and billed when proceeds from the sale of the produce is available.

Production sharing revenue

Revenue from the production sharing arrangement is earned under lease and management agreements whereby the company is entitled to an agreed percentage of the crops proceeds. Revenue is recognised once the company has sufficient information to enable determination with reasonable certainty of the Company's share of the value of the oil.

Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental Revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognisable for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have agreed to form a tax-consolidated group on 1 July 2007. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Agricultural Projects Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Tax funding agreement

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts are recognised as payable to or receivable by the head entity and each member of the group in relation to any tax liability/asset assumed by the head entity.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Goods and Services Tax (cont'd)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Loans and borrowings

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 60 days.

Earnings per share

The consolidated entity presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Determination of fair values

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment Property

The fair value of the investment property is based on the discounted cash flows expected to be derived from the property.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based on directors' estimates and the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of incentive options is measured using the Black-Sholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. FINANCIAL RISK MANAGEMENT

Overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the consolidated entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 18.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the consolidated entity's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the consolidated entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the consolidated entity's system of risk oversight, management of material business risks and internal control.

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's cash and cash equivalents.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

Trade and other receivables

The consolidated entity's exposure to credit risk changed as a consequence of the sale of the olive oil retail business. It is now influenced principally by the ability to collect fees from the participants in the projects it manages.

The consolidated entity's current policy is to only invoice fees once an equivalent amount of oil has been harvested. In this way the collectability of fees is linked to the sale of the bulk oil and this has been secured under the olive oil supply agreement with Boundary Bend Ltd ("BBL"). The consolidated entity maintains a constant credit watch on BBL due to the critical nature of this agreement.

The consolidated entity's policy in respect to receivables not covered by oil supplies is to only recognise those balances that it expects to recover from the proceeds of the sale of future harvests.

The consolidated entity has not sourced new customers or projects to manage and therefore there is no new credit risk to the consolidated entity.

Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows. This is done in the context of an annual forecast and projected inventory levels.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and commodity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign currency risk

The consolidated entity is not exposed to currency risk on transactions that are denominated in a currency other than the Australian dollar (AUD) as part of its ordinary operations.

In respect of monetary assets and liabilities denominated in foreign currencies, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short-term imbalances. The consolidated entity has no material assets or liabilities denominated in foreign currencies.

The investment in subsidiaries is not hedged as that currency position is considered to be long-term in nature.

The Board believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Interest rate risk

The consolidated entity's exposure to interest rates primarily relates to the consolidated entity's long-term debt obligations. The consolidated entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favorable costs of capital or high return on assets. As the market is constantly changing, management may issue new shares, sell assets to reduce debt or consider payment of dividends to shareholders.

The Board has no current plans to issue further shares on the market. There are no options on issue that have not already lapsed

The capital structure of the Group consists of net debt (borrowings as detailed in Note 20, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. This position has not changed from the previous year. The consolidated entity had loans and borrowings (including overdraft) totaling $5,325,791 at 30 June 2013 (2013: $5,758,819).

There were no changes in the consolidated entity's approach to capital management during the year.

The consolidated entity is not subject to any externally imposed capital requirements.

	Consolidated 2014 $	Consolidated 2013 $
3. REVENUE		
Sales of bulk oil	417,497	175,423
Management fees	532,089	1,261,928
Lease fees from the investment property	630,925	616,138
Production sharing	985,020	1,216,251
	2,565,531	3,269,740

4. OTHER INCOME

	2014 $	2013 $
Interest received	6,618	-
Insurance claims	-	34,936
	6,618	34,936

5. PERSONNEL EXPENSES

	2014 $	2013 $
Wages and salaries costs	521,314	1,547,036
Superannuation costs	50,168	107,670
Change in liability for annual and long service leave	21,340	(114,460)
Non-executive directors' fees	12,000	12,000
	604,822	1,552,246

6. AUDITOR'S REMUNERATION

Audit services

	2014 $	2013 $
Auditors of the Company (BDO East Coast Partnership)		
- audit and review of the financial report	54,250	81,000
- audit and review of other financial statements	36,000	38,000
	90,250	119,000

Other services

	2014 $	2013 $
Auditors of the Company (BDO East Coast Partnership)		
- taxation compliance services	-	2,500

7. INCOME TAX

(a) Income tax

The major components of income tax are:

	Consolidated 2014 $	Consolidated 2013 $
Income statement		
Current income tax charge	-	(93,178)
Deferred tax - origination and reversal of timing differences	-	720,724
Adjustment recognised for prior period	-	(13,926)
Aggregate income tax expense	-	613,620
Income tax expense is attributable to:		
Loss from continuing operations	-	613,620
Profit from discontinued operations	-	-
Aggregate income tax expense	-	613,620

(b) Numerical reconciliation between tax credit and pre-tax net loss

	2014 $	2013 $
Loss from continuing operations	(192,237)	(307,048)
Profit from discontinued operations	(267,726)	2,845,457
Profit/(Loss) before income tax	(459,963)	2,538,409
Income tax expense calculated at 30%	(137,989)	761,523
Tax effect on the following amounts:		
Depreciation entitlement attached to fixed assets	(81,936)	(80,413)
Cost base adjustments from CGT reset assets	-	(648,580)
Current year tax (benefit) / losses not recognised from jurisdiction outside Australia	825	(125,709)
Other	-	(10,510)
Fair value on investment property	(66,940)	-
Deferred tax written back	-	638,057
Tax loss not brought to account	286,040	93,178
Over provision in prior year	-	(13,926)
Income tax credit reported in the statement of comprehensive income	-	613,620

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2014 $	2013 $
Tax losses - Revenue	2,428,494	1,922,387
Deductible temporary differences	769,873	989,940
Unrecognised deferred tax asset	3,198,367	2,912,327

7. income tax (Cont'd)

(c) Unrecognised deferred tax assets (Cont'd)

In 2013 the consolidated entity wrote back deferred tax assets of $638,057 given the change in the nature of the consolidated entity's business following the sale of the olive oil retail brand in November 2012. The benefits of the deferred tax benefits not brought to account will only be recognised if the conditions for deductibility set out in the accounting policies note occur.

	Consolidated	
	2014	**2013**
	$	**$**
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in deposits	170,097	139,915
Bank overdrafts	(420,575)	(670,504)
Cash and cash equivalents in the statement of cash flows	(250,478)	(530,589)

The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 18.

9. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	2,246,104	3,980,074
Less: Allowance for doubtful debts	-	(746,683)
	2,246,104	3,233,391
Other receivables	-	824
	2,246,104	3,234,215

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and receivables are disclosed in Note 18.

10. INVENTORIES

Finished goods at cost	258,018	408,227
	258,018	408,227

11. OTHER CURRENT ASSETS

Prepayments	87,867	84,500
	87,867	84,500

12. PROPERTY, PLANT & EQUIPMENT

	Consolidated					
Year ended 30 June 2014	**Plant & equipment**	**Motor vehicles**	**Office furniture & equipment**	**Leasehold improvements**	**Buildings**	**Total**
At 1 July 2013, net of accumulated depreciation	1,259,102	145,415	5,277	-	571,918	1,981,712
Additions	13,636	100,238	15,675	-	-	129,549
Disposals	-	(2,401)	-	-	-	(2,401)
Depreciation charge for the year	(178,810)	(57,959)	(4,886)	-	(42,315)	(283,970)
At 30 June 2014, net of accumulated depreciation	1,093,928	185,293	16,066	-	529,603	1,824,890
At 30 June 2014						
Cost	3,574,285	871,109	62,709	-	1,061,417	5,569,520
Accumulated depreciation	(2,480,357)	(685,816)	(46,643)	-	(531,814)	(3,744,630)
Net carrying amount	1,093,928	185,293	16,066	-	529,603	1,824,890
Year ended 30 June 2013						
At 1 July 2012, net of accumulated depreciation	1,803,286	235,133	44,267	-	621,983	2,704,669
Additions	17,870	-	-	-	-	17,870
Disposals	(229,524)	(14,159)	(31,248)	-	-	(274,931)
Depreciation charge for the year	(332,530)	(75,559)	(7,742)	-	(50,065)	(465,896)
At 30 June 2013, net of accumulated depreciation	1,259,102	145,415	5,277	-	571,918	1,981,712
At 30 June 2013						
Cost	3,560,649	845,401	47,035	19,417	1,061,417	5,533,919
Accumulated depreciation	(2,301,547)	(699,986)	(41,758)	(19,417)	(489,499)	(3,552,207)
Net carrying amount	1,259,102	145,415	5,277	-	571,918	1,981,712

Restrictions on property plant and equipment

Plant and equipment with the net carrying value of $458,664 secures hire purchase finance for that equipment
Motor vehicles with the carrying value of $209,302 secures hire purchase finance for those motor vehicles.
All buildings are included in the security provided to the Commonwealth Bank of Australia in support of the finance facilities the bank has provided to the consolidated entity.

13. INVESTMENT PROPERTY

	Consolidated 2014 $	Consolidated 2013 $
Land, trees and orchard assets held to earn lease fees	8,546,100	8,322,785
Movement consists of:		
Investment property opening balance	8,322,785	8,322,785
Orchard revaluation	223,315	-
	8,546,100	8,322,785

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises a 403 hectare olive orchard including the land, trees, irrigation infrastructure and associated buildings. It is leased to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the investment property was determined by the directors at 30 June 2014 by discounting the cash flows of expected future net income streams over the 36 year term (including option) of the lease generated by the investment property based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the investment property increased by CPI indexation of 3 percent per annum. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long term average value of the production was assumed to increase by 3 percent per annum;
- Pre tax discount rate of 12.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.
- The orchard has a long term yield of 11 tonnes of fruit per hectare per annum.

The sensitivity of these assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
CPI	3.0%	if increased to 3.5%	452,905
		if reduced to 2.5 %	(418,905)
Discount rate	12.50%	if increased to 13.5%	(788,032)
		if reduced to 11.5 %	927,518
Harvest yield	11 t per ha	if increased to 12 tonne per ha	209,819
		if reduced to 10 tonne per ha	(209,822)

The investment property has been pledged as security in support of the consolidated entities finance facilities provided by the Commonwealth Bank of Australia.

The lease agreement requires the consolidated entity to provide sufficient water to the property to allow for the commercial growing of olives and meet all outgoings associated with the property.

		Consolidated 2014 $	Consolidated 2013 $
14. TRADE AND OTHER PAYABLES			
Current			
Trade payables		2,709,968	2,841,556
Other payables and accruals		194,418	200,336
		2,904,386	3,041,892
15. PROVISIONS			
Current			
Liability for employee benefits	(i)	231,343	209,148
Provision for onerous contract		180,138	182,215
		411,481	391,363
Non-Current			
Liability for employee benefits		-	855

(i) The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of the provision of $231,343 (2013: $209,148) is presented as current since the group does not have an unconditional right to the defer settlement for any of these obligations. However, based upon past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current leave obligations expected to be settled after 12 months is $32,045 (2013: $135,825).

16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate risk, see Note 18.

	Consolidated 2014 $	Consolidated 2013 $
Current		
Hire purchase liabilities	151,694	239,284
Secured bank facilities	2,655,000	375,000
Unsecured loan facilities	720,000	920,000
	3,526,694	1,534,284
Non-current		
Hire purchase liabilities	378,522	451,031
Secured bank facilities	-	2,330,000
Unsecured loan facilities	1,000,000	800,000
	1,378,522	3,581,031

16. LOANS AND BORROWINGS (CONTINUED)

Hire purchase facilities

The hire purchase liabilities are secured by the leased assets, as such in the event of default, the assets revert to the lessor. These assets are included in the categories of Plant and Equipment and Motor Vehicles.

Hire purchase liabilities of the consolidated entity are payable as follows:

	Consolidated			Consolidated		
	Minimum payments 2014	**Interest 2014**	**Principal 2014**	**Minimum payments 2013**	**Interest 2013**	**Principal 2013**
Less than one year	187,997	36,303	151,694	287,274	47,990	239,284
Between one and five years	410,573	32,051	378,522	508,673	57,642	451,031
Later than 5 years	-	-	-	-	-	-
	598,570	68,354	530,216	795,947	105,632	690,315

Terms of loans and borrowings

Secured loan facilities

The secured loan facilities bear an average weighted interest rate of 6.96% pa (2013: 7.55% pa). The above noted facilities comprise the following:

- Commercial bill of $2,655,000 (2013: $2,705,000), with the principal repayment of $50,000 per quarter from August 2014 increasing to $75,000 per quarter in May 2015 and then $100,000 per quarter in May 2016.
- The commercial bill facility included a condition that the annual harvest exceed 720,000 litres. The 2014 harvest of 608,700 was below this benchmark. All of the facility balance has been recorded as a current liability as at 30 June 2014 because as at that date, the Company's bankers had not responded to the application in respect to the breach of loan conditions. As set out in note 28: Events subsequent to Balance Date, subsequent to balance date, the Company's bankers have confirmed that there will be no change to the conditions set out in the letter of offer dated 14 April 2014 which requires $225,000 of principal to be repaid over the next financial year.

Unsecured loan facilities

The unsecured loan facilities bear interest rates the greater of 8% or the 30 day bill rate plus 5%.

The current unsecured loan facilities include loans of $720,000 (2013: $720,000) from shareholders which matured in October 2012 and are continuing on a month by month basis until more formal arrangements are made.

Assets pledged as security

The finance facilities provided by the Commonwealth Bank of Australia comprise commercial bills, an overdraft facility and credit card facilities. These facilities are secured by:

- a first registered mortgage over rural property situated at Wytchitella Road, Boort;
- a first registered charge over the assets of all Australian subsidiaries

17. ISSUED CAPITAL AND RESERVES

	Consolidated 2014 $	Consolidated 2013 $
Issued capital		
152,358,384 (2013: 152,358,384) fully paid ordinary shares	22,840,966	22,840,966

Movements in ordinary share capital

There have been no movements in share capital during the reporting period.
Ordinary shares have no par value.

Options

Options granted during the year

There were no options granted during the financial year. No options have been granted since the end of the financial year. No options were exercised during the year.

Unissued shares under option

The company had no options on issue as at 30 June 2014 (2013: nil).

Reserves	Consolidated 2014 $	Consolidated 2013 $
Share based payments reserve		
Balance at the beginning of the year	-	36,000
Lapsed options transferred to accumulated losses	-	(36,000)
Balance at the end of the year	-	-
Foreign currency translation reserve		
Balance at the beginning of the year	259,828	259,788
Currency translation differences	(44)	40
Balance at the end of the year	259,784	259,828
Reserves	259,784	259,828

Share based payments reserve

This reserve is used to record the value of share based payments provided to employees and directors as part of their remuneration and other equity based payments. Refer to the remuneration report for further details of share based payments.

Foreign currency translation reserve

This reserve is used to record the value of exchange differences arising on translation of the foreign controlled entities.

18. FINANCIAL INSTRUMENTS DISCLOSURE

Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying Amount 2014 $	Consolidated Carrying Amount 2013 $
Cash and cash equivalents	170,097	139,915
Trade receivables	2,246,104	3,234,215
	2,416,201	3,374,130

All of the consolidated entity's exposure to credit risk for trade receivables at reporting date was within Australia (2013: 100%).

The aging of the consolidated entity's trade receivables at reporting date was:

	Gross 2014 $	Impairment 2014 $	Gross 2013 $	Impairment 2013 $
Not past due	1,838,683	-	2,698,296	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	-	-	-
Past due 121 days +	407,421	-	1,282,602	746,683
	2,246,104	-	3,980,898	746,683

Receivables past due for more than 30 days are amounts that relate to management and lease fees, due from Victorian Olive Oil Project growers, which have resulted from insufficient project returns to enable growers to offset oil proceeds against the fees. Management anticipates that these projects will be restructured, which will result in a portion of the receivables being collected by way of deduction from future harvest proceeds or by way of equity in the restructured project. The impairment charge is management's best estimation of the portion which will not be recovered through this process.

The movement in the amount allowed for impairment in respect of trade receivables during the year was as follows:

	2014 $	2013 $
Balance at 1 July	746,683	426,326
Balance written off	(746,683)	-
Impairment loss recognised	-	320,357
Balance at 30 June	-	746,683

18. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities:

Consolidated

30 June 2014	Carrying amount	1 year	2-5 years	More than 5 years
Secured bank loans	2,655,000	2,655,000	-	-
Hire purchase liabilities	530,216	151,694	378,522	-
Unsecured loans	1,720,000	720,000	1,000,000	-
Trade and other payables	2,904,386	2,904,386	-	-
Bank overdraft	420,575	420,575	-	-
	8,230,177	6,851,655	1,378,522	-

30 June 2013	Carrying amount	1 year	2-5 years	More than 5 years
Secured bank loans	2,705,000	375,000	2,330,000	-
Hire purchase liabilities	690,315	239,284	451,031	-
Unsecured loans	1,720,000	920,000	800,000	-
Trade and other payables	3,041,892	3,041,892	-	-
Bank overdraft	670,504	670,504	-	-
	8,827,711	5,246,680	3,581,031	-

Foreign currency risk

Exposure to foreign currency risk

The consolidated entity has no material exposure to foreign currency risk (2013: nil).

18. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

Interest rate risk

Profile

At the reporting date the interest rate profile of the consolidated entity's interest bearing financial instruments was:

	Consolidated Carrying Amount			
	2014		2013	
	Interest rate p.a.	$	Interest rate p.a.	$
Fixed rate instruments				
Hire purchase liabilities	5.8% - 9.1%	530,216	6.7% - 12.4%	690,315
		530,216		690,315
Variable rate instruments				
Secured bank loans	WA 7.0% (i)	2,655,000	WA 7.6% (i)	2,705,000
Unsecured loans	WA 7.8% (i)	1,720,000	WA 8.2% (i)	1,720,000
Bank overdraft	WA 10.0% (i)	420,575	WA 10.5% (i)	670,504
		4,795,575		5,095,504
Interest free instruments				
Trade and other payables		2,904,386	-	3,041,892
		8,230,177		8,827,711

(i) Weighted Average

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at reporting date of 100 basis points, an amount management considers possible over the next 12 months, would have (decreased)/increased equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit after tax		Equity	
30 June 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(47,955)	47,955	(47,955)	47,955

	Profit after tax		Equity	
30 June 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	(56,717)	56,717	(56,717)	56,717

Fair value of financial instruments

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

	Consolidated 2014 $	Consolidated 2013 $
19. COMMITMENTS		
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	263,883	234,763
Later than one year but not later than five years	516,203	757,963
More than five years	-	-
	780,086	992,762

The consolidated entity leases two properties under operating leases. One lease runs until July 2017, with an option to renew after that date. One lease runs until April 2016 with an option to renew after that date.

Operating lease payments receivable

The consolidated entity leases the investment property set out in note 13. A significant portion of the lease payments from this property are directly linked to the value of the agricultural production each year and as a consequence, the directors cannot measure the future receivables with reliable certainty.

These lease payments are included in the valuation model of the investment property as set out in note 13.

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of $459,963 (2013: profit of $1,924,789) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 152,358,384 (2013: 160,587,451) calculated as follows:

	2014 $	2013 $
Profit attributable to ordinary shareholders		
Net (loss)/profit for the year	(459,963)	1,924,789
	Number 2014	**Number 2013**
Weighted average number of ordinary shares at 30 June	152,358,384	160,587,451

Diluted earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of $459,963 (2013: profit of $1,924,789) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 152,358,384 (2013: 160,587,451) calculated as follows:

	2014 $	2013 $
Profit attributable to ordinary shareholders		
Net profit/(loss)for the year	(459,963)	1,924,789
	Number 2014	**Number 2013**
Weighted average number of ordinary shares at 30 June	152,358,384	160,587,451

21. RELATED PARTY DISCLOSURES

(a) Controlled entities

The consolidated financial statements include the financial statements of Australian Agricultural Projects Limited and the subsidiary listed in the following table:

	Country of Incorporation	Equity interest 2014	Equity interest 2013
AOX Pty Ltd	Australia	100%	100%
Australian Agricultural Investments Ltd	Australia	100%	100%
Victorian Olive Oil Project limited	Australia	100%	100%
Popeye Holdings Pty Ltd	Australia	100%	100%
Lanyons Paddock Pty Ltd	Australia	100%	100%
Terrapee Contractors Pty Ltd	Australia	100%	100%
Victorian Olive Processors Pty Ltd	Australia	100%	100%
EVOO Marketing Pty Ltd	Australia	100%	100%
Finest Food Import Corporation	USA	100%	100%
EVOO Export Pty Ltd	Australia	100%	100%
Oilpack Australia Pty Ltd	Australia	100%	100%
Red Island Australian Food Corporation	USA	100%	100%

Investments in controlled entities are measured at cost.

(b) Ultimate parent

Australian Agricultural Projects Ltd is the ultimate parent of the consolidated entity.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid and related party transactions are included in Note 22.

(d) Key transactions with related parties

A member of the consolidated entity, Victorian Olive Oil Project Ltd, acts as the responsible entity for two managed investment schemes. The consolidated entity transacts with these schemes in accordance with contracts which are fundamental to the operation of the schemes. Paul Challis is a director of Victorian Olive Oil Project Ltd.

	Transaction	Note	Transactions value year ended 30 June 2014 $	Transactions value year ended 30 June 2013 $	Balance outstanding as at 30 June 2014 $	Balance outstanding as at 30 June 2013 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	630,925	616,138	654,863	240,822
	Management fees	(ii)	614,757	1,261,928	645,176	873,740
	Oil purchased	(iii)	-	-	-	(45,450)
Victorian Olive Oil Project II	Lease fees as part of production sharing	(i)	162,856	167,512	159,862	167,512
	Management fees as part of production sharing	(ii)	247,180	234,517	498,097	507,036
	Oil purchased	(iii)	-	-	772,384	723,831

21. RELATED PARTY DISCLOSURES (cont'd)

Notes in relation to the table of key transactions with associated entities

(i) The consolidated entity receives lease fees in respect to the land, trees and orchard assets which are leased to the schemes. These lease fees are as set out in the scheme constitution and original product disclosure statement.

(ii) The consolidated entity receives management fees for the management of the orchard and the processing of the annual harvest from the investors in the managed investment schemes as well as for acting as responsible entity. These fees are as set out in the scheme constitution and the original disclosure statement

(iii) The consolidated entity purchased oil from the investors in the managed investment schemes in accordance with the oil take off agreement which formed part of the acquisition of the AAI group of companies. This arrangement did not exist for the 2013 harvest due to the sale of the olive oil marketing business

(e) Loans to related parties

Loans are made by the Company to its wholly owned subsidiary for capital purchases and working capital purposes. The loans outstanding between the Company and its subsidiaries have no fixed date of repayment and is non-interest bearing.

Aggregate amounts receivable from the subsidiaries are as follows:

	Company	
	2014	**2013**
	$	**$**
Non-current		
Unsecured loans (from) / to controlled entities		
EVOO Marketing Pty Ltd	(2,037,261)	11,758,046
Oilpack Australia Pty Ltd	(218,817	(368,072)
Popeye Holdings Pty Ltd	11,009,289	(1,559,891)
Australian Agricultural Investments Ltd	(3,589)	(3,317)
AOX Pty Ltd	(54,201)	1,399
Lanyons Paddock Pty Ltd	(84,775)	539,272
Njoi Australian Food Pty Ltd	(11,646)	(549)
Terrapee Contractors Pty Ltd	716,758	398,056
Victorian Olive Oil Project limited	197,607	147,696
Victorian Olive Processors Pty Ltd	313,363	88,024
Allowance for impairment loss	(11,725,447)	(11,759,441)
	(1,898,720)	(758,777)

No dividends were received from the subsidiaries in the 2014 or 2013 financial years.

22. KEY MANAGEMENT PERSONNEL

Details of key management personnel

The following were key management personnel of the consolidated entity at any time during the year and unless otherwise indicated were key management personnel for the entire year:

- Mr P Challis (Managing Director)
- Mr P Grimsey (Non-Executive Director)
- Mr A Ho (Non-Executive Director)
- Mr K Hogg (Company Secretary)

Key management personnel compensation

	Consolidated	
	2014 $	2013 $
Short-term employee benefits (including redundancy payments)	132,000	425,003
Post-employment benefits	11,100	21,414
Long term benefits	2,350	2,350
	145,450	448,767

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Detailed remuneration disclosures are provided in the Remuneration Report on pages 10 to 17.

23. SEGMENT INFORMATION

Business segments

Identification of reportable operating segments

The Company sold its olive oil sales business in November 2012 and as a consequence now only operates in one segment, being the operation of an olive grove located in Boort, Victoria.

24. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	Consolidated	
	2014 $	2013 $
Cash flows from operating activities		
(Loss)/profit for the year	(459,963)	1,924,789
Adjustments for:		
Profit on sale of business	-	(3,609,517)
(Profit) / Loss on sale of assets	(19,299)	114,132
Write off assets on closure of business	-	62,132
Revaluation of investment property	(223,315)	-
Depreciation	283,970	465,896
Change in trade and other receivables	988,111	(113,254)
Change in inventories	150,209	1,611,176
Change in other assets	(3,367)	258,004
Change in provisions and employee benefits	19,263	60,565
Change in provision for income tax and deferred tax liability	-	(13,926)
Change in deferred tax asset	-	638,057
Change in trade and other payables	(137,506)	(2,124,417)
Change in deferred income		(153,933)
Net cash provided by operating activities	598,103	(880,296)

25. DISCONTINUED OPERATIONS

Details of discontinued operations

On 29 November 2012, the Company sold its olive oil retailing business (including the Redisland brand) as well as most of the equipment associated with the olive oil bottling lines for a consideration of $4,000,000 cash and the surrender of shares held in the Company with a value of $108,434. In addition the purchaser agreed to purchase inventory of $644,785. While the gross revenues from these business units had increased significantly up until the date of sale, gross margins continued to be under pressure in an environment with volatile supply arrangements and exposure to imported competition. Accordingly, with the negotiation of the oil supply agreement in conjunction with the asset sale agreement, the Directors decided to dispose of these business units. In conjunction with this sale, the US operations are in the process of being closed.

Subsequent to the date of the sale, the Company continued operations until 12 February 2013 to meet outstanding export orders and production commitments.

During the year ended 30 June 2014, the Company incurred additional expenses in relation to the premises from which the business previously operated.

Financial performance of the discontinued operations

	2014 $	2013 $
Sale of goods	-	7,518,552
Cost of sales	-	(5,812,020)
	-	1,706,532
Other income	-	2,687
Logistic and marketing expenses	-	(1,525,647)
Corporate and administration	-	(92,530)
Occupancy expenses	(267,726)	(111,607)
Depreciation and amortisation	-	(42,316)
Write off of assets on closure	-	(62,132)
Business closure costs	-	(534,112)
(Loss)/Profit before income tax	(267,726)	(659,125)
Income tax expense	-	-
(Loss)/Profit after income tax	(267,726)	(659,125)
Profit on disposal of assets	-	3,504,582
Income tax expense	-	-
Profit on disposal after income tax expense	-	3,504,582
Profit after income tax from discontinued operations	(267,726)	2,845,457
Earnings per share from discontinued operations		
Basic earnings per share (cents)	(0.18)	1.77
Diluted earnings per share (cents)	(0.18)	1.77

25.DISCONTINUED OPERATIONS (CONTINUED)	2014 $	2013 $
Cash flows from discontinued operations		
Net cash (used in)/provided by operating activities	(267,726)	673,966
Net cash provided by/(used in) investing activities	-	2,334,551
Net cash (used in)/provided by financing activities	-	(3,481,228)
Net decrease in cash and cash equivalents from discontinued operations	(267,726)	(472,711)
Carrying amount of net assets disposed		
Inventories	-	644,785
Property, plant and equipment	-	160,995
Intangibles	-	337,922
Net assets disposed	-	1,143,702
Details of the sale		
Total sale consideration	-	4,753,219
Carrying amount of assets sold	-	(498,917)
Carrying amount of inventory sold	-	(644,785)
Disposal costs	-	(104,935)
Profit on sale	-	3,504,582
Income tax expense	-	-
Profit on disposal after income tax	-	3,504,582

26. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2014. The information presented has been prepared using accounting policies as disclosed in Note 1.

Statement of financial position

	Company	
	2014	**2013**
	$	**$**
Current Assets	525,999	13,587
Non Current Assets	6,183,393	7,016,254
TOTAL ASSETS	6,709,392	7,029,841
Current Liabilities	4,133,798	2,593,433
Non Current Liabilities	1,000,000	800,000
TOTAL LIABILITIES	5,133,798	3,393,433
NET ASSETS	**1,575,594**	**3,636,408**
EQUITY		
Contributed equity	22,840,966	22,840,966
Reserves		-
Accumulated losses	(21,265,372)	(19,204,558)
TOTAL EQUITY	**1,575,594**	**3,636,408**
Comprehensive profit/(loss) of parent entity	(2,060,814)	1,291,155

27. COMMITMENTS AND CONTINGIENT LIABILITIES

The Company does not have any capital commitments or contingent liabilities at balance and reporting dates.

28. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 September 2014, the Company's bankers confirmed that no action would be taken as a result of the breach of the condition that the 2014 harvest should exceed 720,000 litres in total and, as a consequence, there is no additional requirement placed on the Company in relation to its banking facilities. The Company is required to continue to make principal and interest payments as set out in the letter of offer dated 14 April 2014 which requires the commercial bill facility of the company to be reduced by $225,000 over the twelve months from 30 June 2014. The letter of offer extends to April 2017 at which point the bank will again review the facilities.

Other than any matters described above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Dated at Melbourne, Victoria this 30th day of September 2014.

Paul Challis
Managing Director

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INDEPENDENT AUDITOR'S REPORT

To the members of Australian Agricultural Projects Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Agricultural Projects Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Agricultural Projects Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australian Agricultural Projects Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity had a net current asset deficiency of $4,501,050 as at 30 June 2014. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Agricultural Projects Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 30 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board and management of Australian Agricultural Projects Ltd "**AAP** or the **Company**" recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Company acknowledges the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd Edition) (the **Recommendations**). This Corporate Governance Statement provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

The Company's corporate governance policies are available from the Company upon request.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation	Requirement	Comply Yes/ No
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
Rec 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes

Commentary

The Board Charter sets out the functions and responsibilities of the Board of AAP, and is available on the Company's website.

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process (available on the Company's website). A performance evaluation for senior executives will take place subsequent to the end of the reporting period and will be carried out in accordance with the process disclosed.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation	Requirement	Comply Yes/ No
Rec 2.1	A majority of the board should be independent directors.	No
Rec 2.2	The chair should be an independent director.	No
Rec 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
Rec 2.4	The board should establish a nomination committee.	No
Rec 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2.	Yes

Commentary

The Board consists of the Managing Director and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The Company has yet to appoint a chair of the Board and is therefore at variance with Recommendation 2.2 in that the Board does not have an independent chair. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an additional director to perform the function of an independent chair.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (cont'd)

The Board has assessed the independence of the non-executive directors using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1. Although Mr Ho holds 2,000,001 fully paid ordinary shares in the Company, the Board considers his shareholdings immaterial. Mr Ho is regarded as independent as he is not a substantial shareholder as defined by the *Corporations Act.* Mr Grimsey does not satisfy the tests of independence as detailed in the Recommendations.

Consequently, the Company is at variance with Recommendation 2.1 in that the majority of directors are not independent. The directors have determined that the current composition of the Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgment to bear on Board decisions.

Although the Board has established a Nomination and Remuneration Committee, the Company is at variance with Recommendation 2.4 in that the Committee only has two members and is chaired by a non-independent director, Mr Grimsey. The Board considers that this composition is appropriate given the current size of the Company.

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors will take place subsequent to the end of the reporting period and will be carried out in accordance with the Performance Evaluation Process.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties.

The Nomination and Remuneration Committee Charter and the policy for Appointment and Selection of New Directors are available from the Company upon request.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation	**Requirement**	**Comply Yes/ No**
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take account of their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (cont'd)

Commentary

The Company's Code of Conduct is available from the Company upon request.

The Board does not currently have a stand-alone policy regarding the gender, age, ethnic and cultural diversity of its directors and senior executives. Given the size of the Company, the nature of the employment structure and the limited number of Board and senior executive positions available, the Company does not expect to develop such a policy in this regard for the near future. Nevertheless, as and when circumstances warrant, the Board will take into consideration diversity as one of the criteria in formulating decisions.

There are currently no female employees in the Company.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation	Requirement	Comply Yes/ No
Rec 4.1	The board should establish an audit committee.	Yes
Rec 4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not the chair of the board; and ▪ has at least three members.	No
Rec 4.3	The audit committee should have a formal charter.	Yes
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

Commentary

The Audit and Risk Committee Charter is available from the Company upon request. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

The Audit and Risk Committee consists of two members and is chaired by Mr Ho. The Company is at variance with Recommendation 4.2 in that the Committee does not consist of a majority of independent directors and does not have three members. However, the Board considers that this composition is appropriate given the current size of the Company.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation	Requirement	Comply Yes/ No
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes

Commentary

The Company's Continuous Disclosure Policy is available from the Company upon request. The Continuous Disclosure Policy sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation	Requirement	Comply Yes/ No
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
Rec 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes

Commentary

The Company's Shareholder Communications Policy is available on from the Company upon request. The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation	Requirement	Comply Yes/ No
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes

Commentary

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available from the Company upon request.

AAP's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. The Company specifically recognizes that the approach to managing risk is appropriate considering the small size of the management team.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a statement declaration in accordance with section 295A of the *Corporations Act*, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the Managing Director (or equivalent) and the Chairman of the Audit and Risk Committee also confirms to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation	Requirement	Comply Yes/ No
Rec 8.1	The board should establish a remuneration committee.	Yes
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	No
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Commentary

The Nomination and Remuneration Committee Charter is available from the Company upon request. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Nomination and Remuneration Committee consists of two members and is chaired by Mr Grimsey. The Company is therefore at variance with Recommendation 8.2 in that the Committee does not consist of a majority of independent directors, is not chaired by an independent chair, and does not have three members. However, the Board considers the present composition is appropriate given the current size and structure of the Company.

SHAREHOLDER INFORMATION

Details of shares and options as at 31 August 2014:

Top holders

The 20 largest holders of each class of quoted security as at 31 August 2014 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	Grimfam Holdings Pty Ltd <Grimsey Family A/C>	25,413,153	16.68
2.	Madfam Holdings Pty Ltd <The Madden Family A/C>	12,473,845	8.19
3.	Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845	8.19
4.	Penswood Pty Ltd <Penswood Super Fund A/C>	8,268,500	5.43
5.	Mr Phillip John & Mrs Deborah Faye Grimsey <The Grimsey S/F A/C>	6,940,432	4.56
6.	Ms Carolina Del Guidice	6,236,923	4.09
7.	Petto Holdings Pty Ltd <The Pettofrezza Family A/C>	6,236,922	4.09
8.	Saracen Properties Pty Ltd <L & MA Saraceni S/F A/C>	4,000,000	2.62
9.	HSBC Custody Nominees (Australia) Limited	3,506,650	2.30
10.	Beaver Super Pty Ltd <The Beaver S/F A/C>	3,225,413	2.12
11.	Joefield Company Limited	2,755,000	1.81
12.	Mr Stephen Leslie McMartin	2,350,000	1.54
13.	Mr Robert Brydon Rudd	2,236,800	1.47
14.	Mr Mark Jeffery Keeley	2,080,000	1.36
15.	Mr Anthony Ho	2,000,001	1.31
16.	Mr Trevor Neil Hay	1,762,500	1.16
17.	Mr Andrew Konowalous	1,672,210	1.10
18.	Ms Maria Liouros & Ms Franca Bortolotti & Mr Con Panayotopoulos <S/F A/C>	1,600,000	1.05
19.	Dasi Investments Pty Ltd	1,550,000	1.02
20.	Bluedale Pty Ltd <Comb Super Fund A/C>	1,500,000	0.98
		108,282,194	71.07

Distribution schedules

A distribution of each class of equity security as at 31 August 2014:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	8	221	0.00
1,001	-	5,000	44	137,394	0.09
5,001	-	10,000	104	1,000,230	0.65
10,001	-	100,000	130	6,180,528	4.06
100,001	-	Over	106	145,040,011	95.20
Total			392	152,358,384	100.00

Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Grimfam Holdings Pty Ltd <Grimsey Family A/C>	33,263,585
Madfam Holdings Pty Ltd <The Madden Family A/C>	12,473,845
Patrac Holdings Pty Ltd <The Challis Family A/C>	12,473,845

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 71,429 as at 31 August 2014):

Holders	Units
260	4,930,639

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.